COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF EAST KENTUCKY POWER COOPERATIVE, INC. FOR AN ADJUSTMENT OF RATES	) CASE NO. 93-093

O R D E R

IT IS ORDERED that East Kentucky Power Cooperative, Inc. ("East Kentucky") shall file the original and 12 copies of the following information with the Commission no later than October 19, 1993, with a copy to all parties of record. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copies material to ensure that it is legible. Where information requested herein has been provided along with the original application, in the format requested herein, reference may be made to the specific location of said information in responding to this information request. When applicable, the information requested herein should be provided for total company operations and jurisdictional operations, separately. If the information cannot be provided by the stated date, East Kentucky should submit a motion for an extension of time stating the reason a delay is necessary and a date by which the information will be furnished. Such a motion will be considered by the Commission.

1. Explain the difference between the amount shown as electric energy revenue on Exhibit J, page 1 of 1, and Exhibit L, pages 33 of 35.

2. Refer to page 33 of Exhibit L of the Application:

a. Explain how the off-peak energy rate of $0.019628 per kWh and level of off-peak energy sales were determined.

b. Why is the off-peak energy rate shown in Exhibit L different from the proposed off-peak rate of $0.018858 included in the proposed Schedule E tariff?

c. An on-peak energy rate of $0.033958 is calculated in Exhibit L. Why is this rate different from the proposed Schedule E on-peak rate of $0.032716?

3. By Order dated September 8, 1988 in Case No. 10281,[1] the Commission approved East Kentucky's Wholesale Power Marketing Rate for marketing programs approved by the Commission and approved an electric thermal storage ("ETS") program as the initial program under this rate.

a. Explain why East Kentucky is proposing to eliminate the marketing rate and the ETS program.

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[1] Case No. 10281, The Notice of East Kentucky Power Cooperative, Inc. of a Revision to its Wholesale Electric Power Tariff to Implement a Wholesale Power Marketing Rate for Special Retail Applications.

b. Explain the effect that elimination of the ETS program will have on: i) the ETS tariffs of East Kentucky's member distribution cooperatives; and ii) retail customers receiving service under an ETS tariff.

4. Refer to Exhibit B of the marginal cost of service study filed on August 31, 1993 ("MCOSS").

a. Explain fully how East Kentucky determined that the on-peak and off-peak periods currently included in tariff Sections A, B, C and D are appropriate for the proposed tariffs.

b. Summer and winter peak demands are considered to be of equal importance because of East Kentucky's diversity agreements with adjacent utilities. What is the effect of this pricing method if these agreements expire or are canceled?

5. Refer to Exhibit C of the MCOSS.

a. Explain what is meant by "economic effects of dispersion."

b. Describe the Iowa S-3 curve and explain why it is being used in determining the levelized carrying charge rate.

c. For Schedules 1-3, describe the process and assumptions used to derive or calculate the amounts shown in columns 1, 3, 4, 6, 7, 8 and 9. Explain what the amounts shown in each of these columns represent or characterize.

6. Refer to Exhibit D of the MCOSS.

a. Explain whether the expansion plan shown in Schedule 1 is consistent with the integrated resource plan East Kentucky will soon file with the Commission.

b. This expansion plan includes installation of the Smith Plant ("Smith") in 2001. Has East Kentucky made a definite decision to complete Smith? If not, when will a decision be made? Explain fully: i) the recently reported consultant's study of Smith commissioned by East Kentucky, including the reasons for and timing of the study; ii) the original financing for Smith and any additional financing needed if East Kentucky decides to complete Smith; and iii) the approvals, if any, needed from this Commission, the Rural Electrification Administration and any other regulatory agency if East Kentucky decides to complete Smith.

c. Describe East Kentucky's source for the capital costs, fixed O & M costs and escalation rates used in Schedule 1.

d. Explain why capital costs (1994 dollars) are weighted by unit output in order to calculate marginal costs.

e. Describe how the annual carrying charge of 10.5 percent as shown in Schedule 2 is calculated.

7. Refer to Exhibit G of the MCOSS. Describe fully Leeds & Northrup's "Economic Dispatch" model and discuss how it was used by East Kentucky to calculate marginal energy costs.

8. Refer to Exhibit I of the MCOSS.

a. Has East Kentucky attempted to calculate a loss-of-load probability ("LOLP") as part of its process of selecting pricing periods? If not, explain what "acceptable alternative methodologies" have been used by East Kentucky.

b. Describe the data necessary to calculate the LOLP.

c. Define "shortage costs" as discussed on page 3 and describe how these costs are determined.

d. Describe what assumptions must be made or what conditions must be in place for long-run capacity costs to equal short-run capacity costs as discussed on page 3.

Done at Frankfort, Kentucky, this 5th day of October, 1993.

PUBLIC SERVICE COMMISSION

Robert M. Davis

For the Commission

ATTEST:

Don Mills

Executive Director